



Armed Forces Retirement Home

**Office of the Inspector General
FY 2013 Annual Report**

December 16, 2013



**Armed Forces Retirement Home
Office of the Inspector General
3700 N. Capitol Street, NW
Washington, DC 20011-8400**

December 16, 2013

Steven G. McManus
Chief Operating Officer
Armed Forces Retirement Home
3700 North Capitol Street, NW
Washington, DC 20011

Mr. McManus,

I am pleased to submit the Armed Forces Retirement Home (AFRH) Office the Inspector General's (OIG) 2013 Annual Report to Congress, this report provides a summary of the OIG's activities from October 1, 2012 to September 30, 2013. This report indicates the OIG's continued effort to eliminate instances of fraud, waste, abuse and mismanagement at AFRH during this period in order to protect the promise to care for America's veterans.

I am filing this report in accordance with the Inspector General Act of 1978, as amended. Section 5(b) of the Act requires that you send this report to the appropriate Congressional Committees and Subcommittees with 30 days after the date of this transmittal, with management's report on the status of audit recommendations.

Respectfully,

Sheila R. Abarr
Inspector General
Armed Forces Retirement Home

Enclosure

Table of Contents

Executive Summary

Overview of AFRH

Management Challenges

Audits & Inspections

Significant OIG Activities

Future Audits & Inspections

Report (Fraud, Waste, Abuse & Mismanagement)

Executive Summary

The AFRH Inspector General position was established in FY 2004. The AFRH IG maintains an office at the Washington, DC campus of the AFRH. The IG reports directly to the Chief Operating Officer (COO), who is the Head of the independent Federal Agency. The OIG's efforts are directed toward carrying out the strategic and business plans of AFRH programs and operations; providing assistance, conducting investigations as necessary, and providing objective independent observations and reporting. The IG has full reign of inspection authority to investigate any areas where alleged improprieties of waste, fraud and abuse have been reported.

The Inspector General Act of 1978, as amended, requires Designated Federal Entities to establish Offices of Inspector General and to report semiannually to each House of the Congress and the Office of the Management and Budget summarizing the activities of the Office during the immediately preceding six month periods ending March 31st and September 30th. Federal Entities are required to report annually on October 31st to each House of the Congress and the Office of Management and Budget on audit and investigative activities in their organizations. The Armed Forces Retirement Home (AFRH) was designated as a "Federal Entity" in the Inspector General Act of 1978, as amended.

Overview of AFRH

The AFRH today is a unique Federal Agency that resembles a private sector Continuing Care Retirement Community (CCRC). The COO is subject to the authority, direction and control of the Secretary of Defense, delegated to the Under Secretary of Defense (Personnel & Readiness) and the Deputy Under Secretary of Defense for Military Community & Family Policy.

The AFRH is organized as a contemporary business establishment, with a Corporate Office that manages independent functioning retirement communities in different locations. This arrangement allows Corporate to make strategic decisions, as well as communicate with Congress and constituents.

Vision:

A retirement community committed to excellence, fostering independence, vitality and wellness for veterans, making it a vibrant place in which to live, work and thrive.

Mission:

To fulfill our Nation's commitment to its Veterans by providing a premier retirement community with exceptional residential care and extensive support services.

Person-centered Care Philosophy:

"Person-centered Care" is defined as the careful manner in which Resident needs are considered while developing responsive plans of care and delivering meaningful services.

This concept recognizes that AFRH Residents are active participants in guiding and charting their own lives. In order for person-centered care to be effective, everyone must identify and understand each Resident's individual needs, listen carefully to the Resident's expressed needs, and offer smart choices for consideration.

Resolution and negotiation between staff and Residents will yield realistic actions taken within the scope of AFRH resources and capabilities—and highly personalized results. Our core person-centered "values" include: choice, dignity, respect, self-determination and purposeful living within the support structure of a caring environment.

Person-centered care does not imply all Resident desires are to be met without regard to available resources and the organization's ability to successfully meet their needs.

The value of person-centered care extends well beyond development of a written plan. The way in which AFRH implements each plan is equally important. In order to ensure that our planning and service is truly person-centered:

- The AFRH pledges to continually evaluate its policies, procedures and the delivery of person-centered care to ensure the spirit of the plan is deployed Agency-wide.

- The AFRH is committed to breaking down silos and barriers within the organization that inhibit or slow its comprehensive plan to achieve a person-centered Home.
- The AFRH will ensure that planning and implementation of this philosophy is in sync with policy and guidance provided by Commission on Accreditation of Rehabilitation Facilities (CARF), AFRH's accrediting organization.

Guiding Principles:

Person-centered	"Person-centered Care" is defined as the careful manner in which Resident needs are considered while developing responsive plans of care and delivering meaningful services.
Accountability	We expect our workforce to achieve what we promise to Residents, staff and service partners. To ensure success, we measure progress and provide feedback to our customers.
Integrity	We will strongly uphold the mission of AFRH. We are honest and ethical and deliver on our commitments. We recognize that good ethical decisions require individual responsibility enriched by collaborative efforts.
One vision/one mission/one organization	Success depends on our devotion to an unwavering vision and mission. Working together in different locations, under various managers and leaders, we maintain a distinct focus to serve our residents. We collaborate and respond in a unified and single voice.
Workforce Growth	We strive to hire and retain the most qualified people. We maximize their success through training and development as well as maintaining and promoting open communication.
Honor Heritage	We honor the rich history of the US Armed Forces – from our Veterans to our victories. As such, our campus reflects that military heritage with memorabilia and tributes.
Inspire Excellence	We continuously work to improve each process, service and its delivery, while striving for excellence in all we do. We expect excellence and reward it.

Strategic Goals:

Resident Centered Care	Every person understands the Resident's individualized needs and takes realistic action within AFRH's resources and capabilities.
Stewardship	Expand staff knowledge that directly impacts the accountability and efficiency of the organization and empowers them to act.
Staff Centered Focus	Pursue and implement innovative ways to deflect, reduce and manage costs by maximizing the utilization of assets, resources, and programs while focusing on needs and desires of this and future generations.
External Stakeholders	Harness, cultivate and focus our external stakeholders to become increasingly active participants engaged in AFRH's operation in each of the next 5 years.

Management Challenges

The AFRH continues to monitor cost, control spending, and improving services. The Agency has embarked on a major effort to modernize and automate its medical records system which continues to be a main focus at the Agency and facility levels. While efforts are advancing, the AFRH faces new organization challenges but must continue to exercise diligent fiduciary management and oversight to ensure that the AFRH Trust Fund remains solvent.

Meeting the Challenges will help the AFRH sustain the impressive progress it has made over the past year. AFRH is confident that they will rise to the occasion of these Challenges and more via smart initiatives, dynamic programs and prudent management.

MANAGEMENT CHALLENGES	RECOMMENDED ACTIONS
<u>Financial</u> Ensure Trust Fund solvency and work within mandated budget reductions	<ul style="list-style-type: none"> • Maintain oversight of budget development and budget execution to contains costs as planned • Put added emphasis on Internal Controls • Monitor revenue streams and develop alternative strategies as issues arise • Increase contributions • Implement Washington Master Plan
<u>Information Technology</u> Establish and maintain an optimal technology operating environment	<ul style="list-style-type: none"> • Implement wider usage of the electronic health record system, improve electronic forms, and provide staff training • Upgrade employees' tools to state-of-the-art • Implement knowledge management through Sharepoint and provide staff training • Overcome time stoppages in using new IT/old equipment and processes • Show results of IT strategic objectives
<u>Accreditation</u> Maintain CARF and Joint Commission accreditation	<ul style="list-style-type: none"> • Establish milestones to be prepared in accordance with accreditation timelines • Implement and maintain recommendations from CARF Quality Improvement Plans (QIP) • Implement recommendations from consultants in preparation for Joint Commission accreditation
PERFORMANCE CHALLENGES	RECOMMENDED ACTIONS
<u>Person-centered Care</u> Continue progress in PCC operations to enhance service delivery	<ul style="list-style-type: none"> • Define measurements for results in PCC • Empower staff by expanding PCC knowledge and skills • Achieve acceptable performance & alter services as needed
<u>Staff-centered Environment</u> Address staff issues and concerns to improve working environment	<ul style="list-style-type: none"> • Fill key positions • Train staff on processes and strategic goals/objectives • Maintain leadership by reducing turnover in key

	positions <ul style="list-style-type: none"> • Ensure continuity of effort (overcome problems encountered in October 2013 furlough)
<u>Aging in Place</u> Continue expansion and improvement of Aging in Place initiative	<ul style="list-style-type: none"> • Ensure more accountability between transitions in levels of care • Track costs by level of care and determine staff time usage in all levels of care

Audits & Inspections

AFRH Inspector General Audits - The AFRH IG completed the following audits from October 1, 2012 through September 30, 2013:

- Time Cards (AFRH, AFRH-G & AFRH-W)
- Quarters Leases (AFRH)
- Medical Equipment Maintenance Management Program (AFRH-G & AFRH-W)
- Souvenir Gift Shop (AFRH-G)
- Chaplain's Fund (AFRH-G)
- Resident Fund (AFRH-G)
- Rehabilitation Services - MOA (AFRH-G & AFRH-W)
- Mass Transportation Benefits Program (SmarTrip)
- Meal Ticket purchase (AFRH-G & AFRH-W)

Residents' Fund Fiscal Oversight Review - The Department of the Navy conducted a fiscal review of the programs at AFRH-G and AFRH-W between August 19-23, 2013. The final report will be submitted to AFRH in 2014.

AFRH Unmodified Opinion - Independent auditors have conducted in-depth reviews of the AFRH's financial statements, in accordance with Government auditing standards. In FY2013 AFRH has received an unmodified opinion formerly known as an unqualified opinion. AFRH's internal controls are adequate, functional and follow the required laws and regulations. The financial statements in the ensuing pages should be read with the understanding they are for a component of the U.S. Government, a sovereign entity. In a public-to-public partnership, the Bureau of Public Debt (BPD) Administrative Resource Center (ARC) has administered all of the Home's FY13 financial management activities including:

- Purchasing
- Payments
- Accounting
- Budget
- Travel



INDEPENDENT AUDITOR'S REPORT

Armed Forces Retirement Home
Washington, DC

Report on the Financial Statements

We have audited the accompanying balance sheets of the Armed Forces Retirement Home (AFRH) as of September 30, 2013 and 2012, and the related statements of net cost, changes in net position, and budgetary resources, for the years then ended (collectively referred to as the financial statements), and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*, as amended. Those standards and OMB Bulletin No. 14-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AFRH as of September 30, 2013 and 2012, and its net costs, changes in net position, and budgetary resources for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the information in the Management's Discussion and Analysis (MD&A), and Required Supplementary Information (RSI) sections be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report On Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the AFRH's internal control over financial reporting (internal control) to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of AFRH's internal control. Accordingly, we do not express an opinion on the effectiveness of AFRH's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. In our fiscal year 2013 audit, we did not identify any deficiencies in internal control that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether AFRH's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 14-02.

Management's Responsibility for Internal Control and Compliance

AFRH's management is responsible for (1) evaluating effectiveness of internal control over financial reporting based on criteria established under the Federal Managers Financial Integrity Act (FMFIA), (2)

providing a statement of assurance on the overall effectiveness of internal control over financial reporting, (3) ensuring AFRH's financial management systems are in substantial compliance with the Federal Financial Management Improvement Act (FFMIA) and applicable laws for which OMB Bulletin 14-02 requires testing, and (4) ensuring compliance with other applicable laws and regulations.

Auditor's Responsibilities

We are responsible for: (1) obtaining a sufficient understanding of internal controls over financial reporting to plan the audit, (2) testing compliance with certain provisions of laws and regulations that have a direct and material effect on the financial statements and applicable laws for which OMB Bulletin No. 14-02 requires testing, and (3) applying certain limited procedures with respect to the MD&A and other RSI.

We did not evaluate all internal controls relevant to operating objectives as broadly established by the FFMIA, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to testing controls over financial reporting. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our audit results to future periods is subject to risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate. In addition, we caution that our internal control testing may not be sufficient for other purposes.

We did not test compliance with all laws and regulations applicable to AFRH. We limited our tests of compliance to certain provisions of laws and regulations that have a direct and material effect on the financial statements and those required by OMB Bulletin No. 14-02 that we deemed applicable to AFRH's financial statements for the fiscal year ended September 30, 2013. We caution that noncompliance with laws and regulations may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

Purpose of the Report on Internal Control over Financial Reporting and the Report on Compliance and Other Matters

The purpose of the Report on Internal Control over Financial Reporting and the Report on Compliance and Other Matters sections of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of AFRH's internal control or on compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering AFRH's internal control and compliance. Accordingly, these reports are not suitable for any other purpose.

This report is intended solely for the information and use of the management of AFRH, OMB, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.



Largo, Maryland
December 16, 2013

Significant OIG Activities

The OIG Hotline processes allegations of fraud, waste, abuse and mismanagement in the internal services the AFRH provides to Residents, employees, contractors, family members and the public. Each complaint is logged into a database and tracked.

AFRH Internal Assistants, Investigate Inquiry & Investigations:

The AFRH IG is committed to respond to all complaints received through the IG Hotline in writing or in person, within 45 days. Additionally, some complaints that meet the definition of “waste, fraud or abuse” reported to the DoD IG Hotline are forwarded to the AFRH IG for action.

- OIG completed an investigation into a concern by an AFRH Resident that a breach of confidentiality had occurred regarding medical records.
- OIG completed an investigation regarding mismanagement by an AFRH-Gulfport employee.

During this reporting period, the OIG conducted the following:

Type of complaints	Number of complaints	Current status
Non-complaints	8	Completed
Assistance	16	Completed
Investigative Inquiry	7	1 open
Investigation	1	Completed

Future Audits & Inspections

The AFRH IG has identified the following internal audits and inspections to be conducted Agency-wide over the next 12 - 18 months. The AFRH IG has begun to review the areas listed below. All audits and inspections listed below will be completed prior to April 2014.

Travel Card Review – Washington
Travel Card Review – Gulfport
Purchase Card Review – Washington (to include Agency convenience checks)
Chaplain's Fund Audit – Washington
Golf Course Receipts Audit – Washington
Credentialing and Privileging Binders Review – Gulfport
Credentialing and Privileging Binders Review – Washington
Medical Notes Review - Nurse Practitioners and Medical Officer – Washington
Medical Notes review – Nurse Practitioners and Medical Officer –Gulfport
Disposal procedures audit for medication – Washington
Disposal procedures audit for medication – Gulfport
Residents' Fund Audit – Washington

REPORT

Fraud | Waste | Abuse | Mismanagement

ARMED FORCES RETIREMENT HOME

OFFICE OF INSPECTOR GENERAL

Phone: Toll Free (866) 769-2068; (202) 541-7503

Fax: (202) 541- 7521

E-mail: afrh.ig@afrh.gov

Mail: Armed Forces Retirement Home

Office of Inspector General

3700 North Capitol Street, NW

Box #535

Washington, DC 20011-8400